



Title: **How to Determine Charges Using the VA-DoD Inpatient Institutional Payment Calculator**

Session: **R-3-1000**



Objectives

- Understand the history of VA and DoD sharing
- Understand the Inpatient Billing Reimbursement Methodology for Direct Sharing Agreements
- Demonstrate the VA-DoD Inpatient Institutional Payment Calculator



VA-DoD Sharing History

- Veterans Administration [now Veterans Affairs] and Department of Defense Health Resources Sharing and Emergency Operations Act (Public Law 97-174 (1983))
 - Encouraged continuation and expansion of resource sharing
 - Resulted in 1983 Memorandum of Agreement (MOA) between VA and DoD on sharing, which states the rate will take into account local conditions and actual costs



VA-DoD Sharing History

- National Defense Authorization Act (NDAA) of 2003
 - United States Code (USC) Title 38, Section 8111 and USC Title 10, Section 1104
 - Established Joint Executive Council for governance
 - Encouraged VA and DoD joint strategic planning
 - Mandated standardized reimbursement rates for VA-DoD sharing
 - DoD Instruction 6010.23, 12 Sep 2005
 - Department of Defense and Department of Veterans Affairs Health Care Resource Sharing Program



Goals for VA-DoD Sharing

- Leadership commitment and accountability
- High-quality health care
- Seamless coordination of benefits
- Integrated information sharing
- Efficiency of operations
- Joint medical contingency/readiness capabilities



Principles for VA-DoD Reimbursement

- VA and DoD have agreed to reimbursement methodology for billing of inpatient care for two components:
 - Institutional
 - Professional services
- The base rate used in the TRICARE/CHAMPUS Medicare Severity Diagnosis Related Group (MS-DRG)-based payment system provides a payment amount for inpatient operating costs, including:
 - Operating costs for routine services
 - Operating costs for technical components of ancillary services
 - ER facility/ancillary services
 - Take-home drugs
 - Special care unit operating costs



Medicare Severity Diagnosis Related Groups

- The institutional component of inpatient care is reimbursed on the basis of MS-DRGs
 - Use VA-DoD Inpatient Institutional Payment Calculator to calculate amount to be billed
- Use Healthcare Common Procedure Coding System (HCPCS) for Non-Institutional (professional and other services) not included in the MS-DRG-based payment



MS-DRG Payment Approach

- Applies to nearly all clinical services and specialties
 - Except: Spinal Cord Injury (SCI), Traumatic Brain Injury (TBI), and Blind Rehab cases
- Applies to all inpatient sharing agreements, including joint ventures
- Allows for additional payment for cases which involve outlier days (i.e., long-stay cases)
- The VA-DoD reimbursement for a MS-DRG uses the basic TRICARE/CHAMPUS MS-DRG payment approach
 - Use CMAC rates, less a 10% discount
 - There are local agreements for the VA-DoD discount



Adjusted Standardized Amounts

- VA-DoD Inpatient Institutional Payment Calculator uses an Adjusted Standardized Amount (ASA), the TRICARE basic national reimbursement rate for each fiscal year
 - ASA is split into labor and non-labor components
 - Labor component is used in conjunction with the area wage index for hospital-specific reimbursement calculations



Approach to Calculation of Reimbursement

- General approach to calculation of reimbursement separates MS-DRGs into four categories:
 - Inlier cases
 - Short-stay outlier cases
 - Transfer cases
 - Long-stay outlier cases
- Each category uses a specific reimbursement formula to calculate an appropriate payment for a particular MS-DRG
- Reimbursement for non-MS-DRG patients in extended stay may be negotiated locally



Exceptions to MS-DRG-based Component of Inpatient Care

- Services and items not included in the MS-DRG-based component of inpatient care:
 - Professional Services
 - Durable Medical Equipment
 - Ambulance Services
 - Anesthesia Professional Services
 - Purchased Care
 - Pharmaceuticals
 - Pass-Through Items
 - Other
- Services and items not included in the MS-DRG basic rate will be billed separately



Other Payment Considerations

- Do not bill for costs associated with Graduate Medical Education or Capital Expense Equipment
- If there is no CMAC or MS-DRG rate available for a service, a CMS rate less 10% may be substituted; however, different methodologies, such as CMAC and CMS, cannot be combined



Data Flow and Sources

Input	
LOS	22
DRG	1
Discharge Status	63

Coded Inpatient Case

- MS-DRG Number
- Length of Stay
- Disposition Status Code



Hospital \$		
Input		
Zip Code	20879	
Wage index	1.0363	Wage
HEART TRANSPLANT OR SYSTEM W MCC		

Modified MS-DRG Payment Calculator

- MTF Zip Code
- Area Wage Index Number



FY 2011 Policy Information	
ASA	\$ 5,006.98
Labor Portion	68.80%
Non-Labor Portion	31.20%
VA/DoD Discount	10%
Payment Summary (Includes VA/DoD Discount)	
DRG Inlier Payment	\$117,236.37
Total Payment	\$117,236.37

Billable Amount

- 10 % or other agreed to amount VA-DoD Discount Applied



Current VA-DoD Sharing Agreement Billing Process



Modified TRICARE MS-DRG Calculator

VA-DoD Modified drg calculator_FY2011_v1.xls [Compatibility Mode] - Microsoft Excel

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D6 fx

VA/DoD Resource Sharing - Inpatient Institutional Billing
Modified TRICARE DRG Payment Calculator - For Inpatient Discharged in FY2011

Instructions for use:
 a. Enter Length of Stay (LOS) in Bed Days in cell C13 of Claim Information
 b. Enter DRG Number in cell C14 of Claim Information
 c. Enter Disposition Status in cell C15 of Claim Information
 d. Enter Zip Code of your MTF in cell C21 of Hospital Specific Information. Wage Index will automatically be looked up and filled.
 e. Find Total Payment (Amount to be billed, including the VA/DoD Discount) in cell H23 of Payment Summary

Claim Information		Output	
LOS	60	DRG Weight	25.3823
DRG	1	Geometric Mean	29.7
Discharge Status	01	Arithmetic Mean	39.1
		Short LOS Threshold	5
		Transfer Flag	0
		Long LOS Threshold	53

FY 2011 Policy Information	
ASA	\$ 5,006.98
Labor Portion	68.80%
Non-Labor Portion	31.20%
VA/DoD Discount	10%
Long LOS Marginal Cost Factor	0.33

Hospital Specific Information		Output	
Zip Code	01355		
Wage index	1.0342	Wage Adjusted ASA	\$ 5,124.79

HEART TRANSPLANT OR IMPLANT OF HEART ASSIST SYSTEM W MCC

Payment Summary (Includes VA/DoD Discount)	
DRG Inlier Payment	\$ 117,071.11
Short Stay Outlier Payment	\$ -
Long-Stay Outlier Payment	\$ 9,105.53
Transfer Payment	\$ -
Total Payment	\$ 126,176.64

Payment Details (Excludes VA/DoD Discount)	
Wage Adjusted ASA	= [ASA*Labor Portion*Wage index+ASA* Non-Labor Portion] = [\$5,006.98*0.688*1.0342+\$5,006.98*0.312] = \$ 5,124.79
Inlier DRG payment	= DRG Weight*Wage Adjusted ASA = 25.3823*\$5,124.79 = \$ 130,079.01
Short LOS Outlier Payment (Not a Short LOS Outlier)	= minimum of [2*LOS*(Inlier DRG Payment/Arithmetic Mean LOS) OR Inlier DRG Payment] = minimum of [2*60*(\$130,079.01/39.1) OR \$130,079.01] = \$ -
Per diem	= Inlier DRG Payment/Geometric Mean = \$130,079.01/29.7 = \$ 4,379.76
Long-Stay Outlier Payment	= maximum of [Long LOS Marginal Cost Factor*Per diem*(LOS-Long LOS Threshold)] OR \$0.00 = maximum of [0.33*\$4,379.76*(60-53)] OR \$0.00 = \$ 10,117.26
DRG payment	= Inlier DRG payment = \$130,079.01 = \$ 130,079.01

FY2011 Payment Calculator Zip 2 Wage Look Up- FY2011 PostAcuteTransfers

MS-DRG
Calculator
Portion

Calculation
Details



VA-DoD Inpatient Institutional Payment Calculator

Parts of the calculator

- Input
 - MS-DRG
 - Length of Stay (LOS)
 - Disposition Status (Code)
 - Zip Code/Area Wage Index Number
 - VA-DoD discount, 10% or per local agreement
- Output
 - Amount to be billed, includes 10% or local discount



VA-DoD Inpatient Institutional Payment Calculator: Overview

	A	B	C	D	E	F	G	H
1	VA/DoD Resource Sharing - Inpatient Institutional Billing							
2	Modified TRICARE DRG Payment Calculator - For Inpatient							
3								
4	Instructions for use:							
5	a. Enter Length of Stay (LOS) in Bed Days in cell C13 of Claim Information							
6	b. Enter DRG Number in cell C14 of Claim Information							
7	c. Enter Disposition Status in cell C15 of Claim Information							
8	d. Enter Zip Code of your MTF in cell C21 of Hospital Specific Information. Wage Index will automatically be looked up and filled.							
9	e. Find Total Payment (Amount to be billed) in cell H23 of Payment Summary							
10								
11								
12	Input			Output				
13	LOS		60	DRG Weight	25.3823			
14	DRG		1	Geometric Mean	29.7			
15	Discharge Status		01	Arithmetic Mean				
16				Short Stay Outlier Payment				
17				Long Stay Outlier Payment				
18								
19	Hospital Specific Information							
20	Input			Output				
21	Zip Code		01355	Wage Index	1.0342			
22				Wage Adjusted Payment				
23	HEART TRANSPLANT OR IMPLANT OF HEART ASSIST SYSTEM WITH							
24								
25								

Instructions

Case-Specific Inputs

Hospital-Specific Inputs

Case-Specific Output

Policy Information

FY 2011 Policy Information		
ASA		\$ 5,006.98
	Labor Portion	68.80%
	Non-Labor Portion	31.20%
VA/DoD Discount		10%
Long LOS Marginal Cost Factor		0.33

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	\$ -
Total Payment	\$126,176.64

Instructions

Policy Information

Case-Specific Inputs

Hospital-Specific Inputs

Case-Specific Output

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Short Stay Outlier Payment	\$ -
Long-Stay Outlier Payment	\$ 9,105.53
Total Payment	\$ 126,176.64



VA-DoD Inpatient Institutional Payment Calculator: Inputs

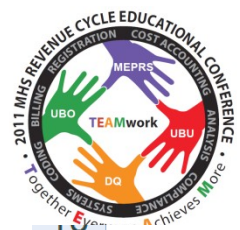
- Case-Specific
 - Length of Stay (LOS)
 - MS-DRG Number
 - Entering the MS-DRG code will pre-populate the MS-DRG code name as well as the MS-DRG weight
 - Disposition Status Code



VA-DoD Inpatient Institutional Payment Calculator: Inputs

Disposition Status Codes Used in the VA-DoD Inpatient Institutional Payment Calculator

- 01 = Home, self-care
- 02 = Short term hospital
- 03 = Skilled Nursing Facility (SNF)
- 04 = Intermediate Care Facility (ICF)
- 05 = Other facility
- 06 = Home Health Service
- 07 = Left Against Medical Advice (AMA)
- 20 = Died
- 30 = Still a Patient
- 50 = Hospice-Home
- 51 = Hospice-Medical Facility
- 61 = Swing Bed
- 62 = Rehab Facility/Rehab Unit
- 63 = Long Term Care Hospital
- 65 = Psychiatric Hospital or Unit
- 66 = Discharge/Transfer to Critical Access Hospital (CAH)
- 71 = OP Services - Other Facility
- 72 = OP Services - This Facility



VA-DoD Inpatient Institutional Payment Calculator: Inputs

11	Claim Information			
12	Input		Output	
13	LOS	20	DRG Weight	1.3600
14	DRG	281	Geometric Mean	2.6
15	Discharge Status	01	Arithmetic Mean	3.3
16			Short LOS Threshold	1
17			Transfer Flag	0
18			Long LOS Threshold	18
19	Hospital Specific Information			
20	Input		Output	
21	Zip Code	01355		
22	Wage index	1.0342	Wage Adjusted ASA	\$ 5,124.79
23	ACUTE MYOCARDIAL INFARCTION, DISCHARGED ALIVE W CC			
24				
25				

Case-Specific User Inputs:

1.LOS

2.MS-DRG

3.Disposition Status



VA-DoD Inpatient Institutional Payment Calculator: Inputs

- Hospital-Specific
 - MTF Zip code
 - Entering the MTF code will pre-populate the Area Wage Index
 - A Zip_2_Wage look-up table is provided as part of the VA-DoD Inpatient Institutional Payment Calculator workbook
 - Area Wage Index
 - Applied for the physical location (i.e., Zip code) of the hospital that treats the patient
 - Adjusts the Labor portion of the payment amount to the level of local wages for the hospital location
 - Is a constant number for each fiscal year for a given hospital



Zip_2_Wage Look Up FY2011

- Zip_2_Wage Look Up is located on the second worksheet
- References Zip codes (Column A) with Area Wage Index (Column E)

VA-DoD Modified drg calculator_FY2011

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Cut Copy Paste Format Painter Clipboard Font Alignment Number Conditional Formatting

VA/DoD Resource Sharing Program
Inpatient Institutional Billing
Area Wage Index Number Look-Up Table - FY2011

Note: To use this table locate the zip code of the physical location of the provider hospital in column A (Zip Code) and find the associated Area Wage Index Number for that hospital in column E (Wage Index).

	Zip Code	State Abbrev	State Code	CBSA	Wage Index	Urban Code
8	00501	NY	33	35004	1.2529	2
9	00544	NY	33	35004	1.2529	2
10	00601	PR	40	40	0.3368	2
11	00602	PR	40	10380	0.3368	2
12	00603	PR	40	10380	0.3368	2
13	00604	PR	40	10380	0.3368	2
14	00605	PR	40	10380	0.3368	2
15	00606	PR	40	40	0.3368	2
16	00610	PR	40	10380	0.3368	2
17	00611	PR	40	40	0.3368	2
18	00612	PR	40	41980	0.4281	2
19	00613	PR	40	41980	0.4281	2
20	00614	PR	40	41980	0.4281	2
21	00616	PR	40	41980	0.4281	2
22	00617	PR	40	41980	0.4281	2
23	00622	PR	40	41900	0.4548	2
24	00623	PR	40	41900	0.4548	2
25	00624	PR	40	49500	0.3527	2

FY2011 Payment Calculator Zip_2_Wage Look Up- FY2011 Po Acute Transfers



VA-DoD Inpatient Institutional Payment Calculator: Inputs

- By entering the MTF Zip code, the MS-DRG Calculator will automatically look up the Area Wage Index from the “Zip_2_Wage Look Up – FY2011” worksheet

VA-DoD Modified drg calculator_FY2011_v1.xls [Compatibility Mode] - Microsoft Excel			
Home Insert Page Layout Formulas Data Review View Developer			
A21 Zip Code			
	A	B	C
17			Transfe
18			Long L
19	Hospital Specific Information		
20	Input		
21	Zip Code	⇒	01355
22	Wage index		1.0342 Wage
23	ACUTE MYOCARDIAL INFARCTION, DISCHARGED ALIVE W CC		
24			
25			
26	Pay		
27	Wage Adjusted ASA	=	[ASA*Labor Portion*Wa
28		=	[\$5,006.98*0.688*1.034
29		=	\$ 5,124.79
30			
31	Inlier DRG payment	=	DRG Weight*Wage Adj
32		=	1.3600*\$5,124.79
33		=	\$ 6,969.72



VA-DoD Inpatient Institutional Payment Calculator: Inputs

- VA-DoD Discount input
 - Standard 10% discount
 - Local agreed discount

G		H
FY 2011 Policy Information		
ASA		\$ 5,006.98
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	Non-Labor Portion	31.20%
VA/DoD Discount		⇒ 10%
Long LOS Marginal Cost Factor		0.33



VA-DoD Inpatient Institutional Payment Calculator: Policy

G	H
FY 2011 Policy Information	
ASA	\$ 5,006.98
Labor Portion	68.80%
Non-Labor Portion	31.20%
VA/DoD Discount	10%
Long LOS Marginal Cost Factor	0.33
Payment Summary (Includes VA/DoD Discount)	
DRG Inlier Payment	\$ 6,272.75
Short Stay Outlier Payment	\$ -
Long-Stay Outlier Payment	\$ 1,592.31
Transfer Payment	\$ -
Total Payment	\$ 7,865.06

- Payment Policy Summary:
 - ASA Rates depend on Area Wage Index split into:
 - Labor = if $AWI \leq 1$, then 62%; otherwise 68.8%
 - Non-Labor = if $AWI \leq 1$, then 38%; otherwise 31.2%
- VA-DoD Resource Sharing Discount = 10% or local agreed discount
- Long-stay marginal cost factor = 33%
 - Calculated per diem amount



VA-DoD Inpatient Institutional Payment Calculator: Billable Amount

- The billable amount is the case-specific output
 - The output is produced automatically calculated based on what the user enters:
 - LOS
 - MS-DRG
 - Disposition Status Code
 - MTF Zip Code
 - 10% or local agreed discount

G		H
FY 2011 Policy Information		
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Q&A

- Questions?

Please contact the UBO Helpdesk if you have any questions or concerns at (703) 575-5385 or e-mail UBO.helpdesk@altarum.org.

